

Ancillary Services Task Team Working Assumptions

- We assume that the Market Operations Task Team is responsible for deciding whether there will be one bidding process or two with respect to ancillary services in day ahead and real time
- We assume that working through the settlement process (for all aspects of day ahead and real time market operations, including ancillary services) is a Market Operations Task Team responsibility
- For ancillary service bids that contain a capacity price, we assume that this capacity price reflects the bidders evaluation of (i) “availability” (SMD NOPR sec. 292) and (ii) opportunity cost
- We assume that all ancillary services must be bid in increments not smaller than 1 MW. Participation by resources smaller than the minimum size is accommodated through aggregation by the SCs
- Rather than having separate processes for suppliers to bid into the IOS market, we will define a process based on a “single point of entry” where necessary price information, operational characteristics, and other bid parameters are submitted on a single bid template for each supply resource
- We have assumed that there will be a “quality hierarchy” with respect to IOS. That is, while resources that are capable of a higher level of response can also be used for a less demanding purpose, (provided the supplier’s price is met), the reverse is not true
- We will do whatever we can to work from materials that are currently available, such as existing metering, communications, institutional structures, etc. as long as that doesn’t create reliability problems or market distortions
- The way that market monitoring could introduce after-the-fact assessments of the bidding behavior of ancillary services suppliers is a significant complicating factor; this is particularly true given the need for the market monitor to be able to distinguish between (a) physical or economic withholding as a means to “game” or manipulate markets and (b) reasonable, rational behavior that reflects long-term considerations as well as day-ahead and real-time economic considerations (see more detailed discussion below under “must-offer”)
 - The market monitor’s ability to appropriately evaluate the working of our IOS supply market is especially important because of the possibility that where the market monitor believes market performance is anomalous or produces outcomes that are not just and reasonable, one possible consequence may be for suppliers to become subject to “must-offer” obligations

- It will be very difficult to capture, within a strictly day-ahead and real-time timeframe, all the drivers for suppliers' decisions about how much to bid and at what price – especially in the case of hydro where decision drivers can be heavily judgment-based, tied to much longer timeframe, and affected by numerous non-economic considerations
- The Ancillary Services Task Team recognizes that the current working model for the RTO West scheduling sequence calls for a supplemental unit commitment process if RTO West's own post-day-ahead load forecast shows that there are not enough resources scheduled to serve expected load
 - The supplemental commitment process is an “in-between” step between enabling market participants to make their economically driven choices in the day ahead about how to serve load and having to resolve operating problems in real time through the security coordination process
 - This supplemental commitment process is not a type of ancillary service (or IOS); therefore the Ancillary Services Task Team has assumed that it is not charged with working this process out (rather, it is part of the Market Operations task set)
- Accepted bids to supply ancillary services (IOS) are binding as to location of the resource bid and as to the time the resource is bid to be available
- We assume that those who elect to meet their ancillary services requirements for load following, regulation, and frequency response through self-tracking are not precluded from also participating in the market to supply IOS
- We assume that remedial actions schemes (RAS) are not part of the ancillary services process or market; rather, we assume that RTO West will supplemental whatever RAS it receives from transmission owners under the RTO West Transmission Operating Agreements through periodic bilateral arrangements
 - Types of RAS include generation dropping, underfrequency load-shedding, and undervoltage load-shedding (but this is not necessarily an exhaustive list)
- Whatever ancillary services requirements we develop will need to be compatible with demand response approaches that may be adopted by various utilities or governmental authorities
- We assume that the rules concerning participation in the ISO supply market will be handled separately (through separate agreements or tariff provisions or both) from operating (integration) requirements that would apply to generators interconnected within the RTO West control area boundary